

Letters Question More Than \$750 Million in Unsubstantiated Charges by Contractor, Inadequate Pentagon Oversight

Washington, D.C. (May 24, 2012)—Today, Rep. Jason Chaffetz and Rep. John F. Tierney, Chairman and Ranking Member of the Subcommittee on National Security, Homeland Defense and Foreign Operations, sent joint letters to [Supreme Foodservice GmbH](#) and the [Defense Logistics Agency \(DLA\)](#) requesting a host of documents relating to their ongoing investigation into a multi-billion dollar contract to provide food and other supplies to American bases in Afghanistan.

“It is outrageous that DLA could ever be in the position of possibly overpaying any vendor by three quarters of a billion dollars- especially at a time when troop levels are being scaled back because funding is tight,” said Chairman Chaffetz. “The Subcommittee will work with the Department of Defense to investigate the facts and circumstances surrounding this apparent lack of oversight.”

“The American taxpayers refuse to accept a government contractor that bills more than \$750 million in unsubstantiated charges, and they refuse to accept the Pentagon’s failure to manage this contract properly,” said Ranking Member Tierney. “Chairman Chaffetz and I plan to continue our vigorous bipartisan oversight efforts, to fully investigate the problems with this contract, and to determine how they will affect the impending award of the new contract.”

According to [internal reports](#) and other documents obtained by the Subcommittee, Defense Department officials have concluded that \$757 million in charges submitted by Supreme over the past six years are unsupported and according to Pentagon auditors lack proper documentation to justify the charges.

As of September 30, 2011, DLA had paid Supreme \$5.5 billion for distributing food and supplies to hundreds of American bases in Afghanistan. The documents indicate that for over five years, DLA attempted to negotiate reasonable rates with Supreme for food delivery services to

hundreds of American bases throughout Afghanistan. After repeated negotiations, DLA was forced to set rates unilaterally based on Supreme's actual costs and a reasonable profit.

Although DLA has demanded that Supreme repay \$757 million in unsupported charges, Supreme asserts that the government owes the company \$1.1 billion. The size of this \$1.6 billion dispute raises serious concerns regarding DLA's contracting oversight and its current plans to consider Supreme and other bidders for a five-year follow-on contract that will be worth \$10 to \$30 billion to provide similar services.

Today's announcement follows a series of investigations conducted by the National Security Subcommittee on contracting issues, including food and fuel logistics contracts in Kyrgyzstan and Iraq.

It also builds on the final report to Congress by the [Commission on Wartime Contracting](#), which was established in 2008 as a result of the Subcommittee's [leadership under then Chairman John Tierney](#)

. The report estimated that as much as \$60 billion has been lost due to contract fraud and waste in the Iraq and Afghanistan and raised concern about the lack of competition in wartime contracting that unfairly favors incumbent contractors.